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Livingston Intergovernmental Commission

Annual Financial Statements

As of December 31, 2002 and for the Year Then Ended

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5/14/03

Livingston Intergovernmental Commission
Annual Financial Statements
As of and for the Year Ended December 31, 2002
With Supplemental Information Schedules

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With Supplemental Information Schedules

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Livingston Intergovernmental Commission
Livingston, Louisiana

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Livingston Intergovernmental Commission, a component unit of the Town of Livingston, Louisiana as of and for the year ended December 31, 2002, as listed in the table of contents. These basic financial statements are the responsibility of Livingston Intergovernmental Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Livingston Intergovernmental Commission as of December 31, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, Livingston Intergovernmental Commission adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of January 1, 2002. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2003 on our consideration of Livingston Intergovernmental Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

Board of Commissioners
Livingston Intergovernmental Commission
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The Management's Discussion and Analysis and the other Required Supplemental Information on pages 6 through 16 and 40 through 45, respectively, are not a required part of the basic financial statements, but are supplemental information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Livingston Intergovernmental Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

February 14, 2003

Required Supplemental Information (Part I)

Management's Discussion and Analysis

Livingston Intergovernmental Commission
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2002

The Management's Discussion and Analysis (MD&A) for the Livingston Intergovernmental Commission is designed to:

1. assist the reader in focusing on significant financial issues,
2. provide an overview of the Commissions's financial activities,
3. identify changes in the Commission's overall financial position and results of operations and assist the user in determining whether financial position has improved or deteriorated as a result of the year's operations,
4. identify any significant variations from the original, amended, and final budget amounts and include any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity, and
5. identify individual fund issues or concerns.

This is the first year that the Commission has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board (GASB) Statement No. 34. Because this new reporting model changes significantly not only the presentation of financial data, but also the manner in which the information is recorded, prior year comparative information for this reporting period's MD&A has not been included. The omission of this comparative information is unavoidable and unfortunately puts the reader in a less than desirable position. In preparing the information summarized below, we have tried to keep in mind this disadvantage by providing explanations of the major components of the government-wide financial statements, and when possible, the reasons for changes in significant financial statement categories.

The information contained within this MD&A should be considered only as part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and other Required Supplemental Information (RSI) that are provided in addition to this MD&A.

Overview of the Financial Statements

The MD&A is required supplemental information that introduces the reader to the basic financial statements and provides an overview of the Commission's financial activities. The Commission's basic financial statements consist of the following components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

Livingston Intergovernmental Commission

Management's Discussion and Analysis As of and for the Year Ended December 31, 2002

Other required supplemental information, including the required budgetary comparison schedule, are presented immediately following the notes to the financial statements. A general description of the components of the basic financial statements follows below, with a more detailed analysis of the government-wide statements included in a later section entitled Government-Wide Financial Analysis and for fund financial statements included in the Analysis of Fund Financial Statements section.

1. Government-Wide Financial Statements

The Government-Wide Financial Statements (see pages 17 through 19) are designed to present the financial operations of the Commission as a whole in a format similar to private sector companies. All governmental and business-type activities are consolidated into columns which add to a total for the governmental entity. The Commission has no business-type activities, so only governmental activities are included in the presentation. If the Commission determines that presentation of a component unit (which are other governmental units for which the Commission can exercise significant influence or for which the Primary Government financial statements would be misleading if component unit information is not presented) is necessary to allow the reader to determine the relationship of the component unit and primary government, the component unit information is presented in a separate column of the financial statements or in a separate footnote. For the current fiscal year, the Commission has no component units.

The focus is on the government-wide (entity-wide) Statement of Net Assets and Statement of Activities to give the reader a broad overview of the Commission's financial position and results of operations.

- a. The Statement of Net Assets presents information on the Commission's assets and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as net assets. Over time, the increases or decreases in net assets (and changes in the components of net assets) may serve as a useful indicator of whether the financial position of the Commission is improving or weakening. Although the focus of this MD&A will be on the analysis of the overall changes to net assets, focusing on the changes in components of net assets does provide answers on how the Commission is managing its financial resources and an indication of allocation of financial resources in future years. A brief explanation of the components of net assets is presented below:
 - Invested in Capital Assets, Net of Related Debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. The Commission has no indebtedness outstanding on capital assets.
 - Restricted Net Assets - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Commission's restricted net assets are bound by the Commission's Charter and a Tripartite agreement between the Commission, the State of Louisiana, and the Illinois Central Gulf Railroad Company.

Livingston Intergovernmental Commission
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2002

- **Unrestricted Net Assets** - This component of net assets consists of net assets that do not meet the definition of restricted net assets or invested in capital assets, net of related debt. The Commission has no unrestricted net assets.
- b. The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. The format for the Statement of Activities presents the expenses for each function reduced by the program revenues directly related to each respective function to determine net costs of each function. The net costs of each function are normally covered by general revenues.

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The Commission uses one category of funds to account for financial transactions, governmental funds.

Governmental funds are used to account for most of the basic services and projects reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, *governmental fund financial statements* focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements (included on pages 20 through 26) provide a detailed short-term view of the Commission's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. The Commission's governmental funds consist five special revenue funds, used to account for the Commission's services, namely operating expense, health surveillance, environmental surveillance, and thirty-year indemnity related to the Illinois Central Gulf Railroad Company derailment, and health surveillance related to the Combustion, Inc. settlement.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds and for governmental activities in the *government-wide financial statements*. Review of these differences provides the reader of the financial statements insight on the long-term impact of the Commission's more immediate decisions on the current use of financial resources. The governmental funds columns of the Fund Financial Statements require and include a reconciliation following the Balance Sheet (reconciliation on page 23) and the Statement of Revenues, Expenditures and Changes in Fund Balances (reconciliation on page 26).

3. Notes to the Financial Statements

The Notes to the Financial Statements, in particular "Note 1 - Summary of Significant Accounting Policies," present the changes in presentation and reporting required under the GASB 34 standard. When reviewing this MD&A, the reader should also refer to and review the Notes to the Financial Statements (beginning on page 27), as well as the Government-Wide and Fund Financial Statements (included on pages 17 through 26).

Livingston Intergovernmental Commission
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2002

Financial Highlights

- At December 31, 2002, the Commission maintained a Restricted Net Assets balance of \$6,160,817. Restricted Net Assets represent the net balance accumulated by the Commission above the amount of net assets Invested in Capital Assets, Net of Related Debt, and are restricted as a result of constraints imposed by creditors, grantors, contributors, or by laws and regulations.
- At December 31, 2002, the total Invested in Capital Assets, Net of Related Debt decreased to \$513,895.
- Total assets at December 31, 2002 totaled \$6,692,710, as compared to liabilities totaling \$17,998. The Commission had no bonded indebtedness or long-term notes.
- The most significant continuing revenue sources for governmental activities of the Commission consisted of \$307,997 in net increase in fair value of investments and \$153,803 in earned interest.

Government-Wide Financial Analysis

Statement of Net Assets

Included below is a condensed Statement of Net Assets for the Commission. The condensed format allows the reader to view the overall financial position of the Commission. Although information for comparison will not be available until the December 31, 2003 financial statements are completed, explanation of the components of this statement are included immediately following the table. Explanations for this statement as well as the Condensed Statement of Activities are included immediately following the tables.

Condensed Statement of Net Assets - Governmental Activities

Assets

Current and Other Assets	\$ 6,178,815
Capital Assets, Net	513,895
Total Assets	<u>6,692,710</u>

Liabilities

Long-Term Liabilities	11,856
Current Liabilities	6,142
Total Liabilities	<u>17,998</u>

Net Assets

Invested in Capital Assets, Net	513,895
Restricted	6,160,817
Total Net Assets	<u>\$ 6,674,712</u>

See page 18 for a more detailed Statement of Net Assets for the Commission.

Livingston Intergovernmental Commission
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2002

Government-Wide Review of Condensed Statement of Net Assets

The composition of net assets and the changes in net assets over time serve as a useful indicator of a government's financial position. The Commission's assets at fiscal year-end exceed liabilities by \$6,674,712 (net assets). Of the Commission's net assets, none are Unrestricted Net Assets. The balance of net assets includes \$513,895 Invested in Capital Assets, Net of Related Debt, and \$6,160,817 in Restricted Net Assets.

The largest category of net assets is Restricted Net Assets, totaling \$6,160,817, or 92% of net assets. Restricted Net Assets consist of \$751,672 for derailment operating expenses, \$534,198 for derailment health surveillance, \$1,296,397 for derailment environmental surveillance, \$3,151,544 for derailment thirty-year indemnity, and \$427,006 for Combustion, Inc. health surveillance.

The second largest category of net assets is Invested in Capital Assets, Net of Related Debt, totaling \$513,895, or 8% of net assets. This category reflects the total invested in capital assets (land, buildings, equipment, etc.) net of any related debt used to acquire capital assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending.

At the end of the current fiscal year, the Commission was able to report positive balances in all categories of net assets, for the government as a whole, as well as for separate governmental activities.

Statement of Activities

A condensed Statement of Activities for the Commission is presented below listing the major categories of revenues and expenses for the fiscal year ended December 31, 2002. An explanation of the components of this statement are included immediately following the table.

Condensed Statement of Activities - Governmental Activities

Program Revenues	
Charges for Services	\$ -
General Revenues	
Investment Income	461,800
Total Revenues	<u>461,800</u>
Program Expenses	
Derailment Operating Expenses	45,513
Derailment Health Surveillance	125,355
Derailment Environmental Surveillance	150,694
Derailment Thirty-Year Indemnity	4,597
Combustion, Inc. Health Surveillance	208,333
Total Program Expenses	<u>534,492</u>
Change in Net Assets	<u>\$ -72,692</u>

See page 19 for a more detailed Statement of Activities for the Commission.

Livingston Intergovernmental Commission

Management's Discussion and Analysis As of and for the Year Ended December 31, 2002

Government-Wide Review of Condensed Statement of Activities

The Condensed Statement of Activities presents revenues, expenses, and changes in net assets for governmental activities. The condensed format allows for presentation of Program Revenues (Charges for Services) followed by a listing of General Revenues to support the Commission's overall governmental activities. Expenses are presented on a functional basis, with depreciation on fixed assets directly allocated to the related expense. For the fiscal year ended December 31, 2002, the Commission reported a negative overall change in net assets (revenues less expenses) of \$72,692.

Program Revenues derive directly from the program itself or from parties outside the Commission's citizenry, as a whole; they reduce the net cost of the function to be financed from the government's General Revenues. The Commission had no Program Revenues for the fiscal year ended December 31, 2002.

General Revenues include all revenues not required to be reported as Program Revenues. General Revenues totaling \$461,800 for the fiscal year ended December 31, 2002 consisted of a \$307,997 net increase in fair value of investments and \$153,803 of interest income.

Program Expenses are presented in the above Condensed Statement of Activities by function and total \$534,492 for the fiscal year ended December 31, 2002. The major categories of Program Expenses are Derailment Operating Expenses of \$45,513, Derailment Health Surveillance of \$125,355, Derailment Environmental Surveillance of \$150,694, Derailment Thirty-Year Indemnity of \$4,597, and Combustion, Inc. Health Surveillance of \$208,333.

Analysis of Fund Financial Statements

The Commission's Governmental Funds include five Special Revenue Funds, the Derailment Operating Expense Fund, the Derailment Health Surveillance Fund, the Derailment Environmental Surveillance Fund, the Derailment Thirty-Year Indemnity Fund, and the Combustion, Inc. Health Surveillance Fund, and are presented within the following fund financial statements:

	<u>Statement</u>	<u>Page</u>
Balance Sheet	C	21
Statement of Revenues, Expenditures, and changes in Fund Balance	E	24

Governmental Funds

Under the modified accrual basis for Fund Financial Statements, the emphasis is on accounting for current financial resources of the Commission. The analysis in this section will include a discussion of the components of the Fund Financial Statements, and will also concentrate on differences between the previously discussed Government-Wide Financial Statements.

Livingston Intergovernmental Commission

Management's Discussion and Analysis As of and for the Year Ended December 31, 2002

At fiscal year end, the Commission's Governmental Funds reported in Statement C, Balance Sheet, combined Fund Balances of \$6,172,673, with the total Fund Balance recorded as reserved. Assets are identical to the Government-Wide presentation, except for capital assets of \$513,895, which are presented only in the Government-Wide presentation, and interfund assets of \$10,740, which are eliminated from the Government-Wide presentation. Liabilities are identical to the Government-Wide presentation, except for compensated absences payable of \$11,856, which are presented only in the Government-Wide presentation, and interfund liabilities of \$10,740, which are eliminated from the Government-Wide presentation.

Within the separate funds, the major asset category reported is Investments at Fair Value. The carrying amount and percentage distribution of total is as follows for the separate funds:

	<u>Carrying Amount</u>	<u>Percentage Distribution</u>
Derailment Operating Expenses	\$ 670,698	12%
Derailment Health Surveillance	199,376	4%
Derailment Environmental Surveillance	1,063,230	19%
Derailment Thirty-Year Indemnity	3,118,890	57%
Combustion, Inc. Health Surveillance	416,265	8%
	<u>\$ 5,468,459</u>	<u>100%</u>

For the fiscal year ended December 31, 2002, the Commission reported in Statement E, Statement of Revenues, Expenditures, and Changes in Fund Balances, an excess of expenditures over revenues of \$60,577. Revenues are identical to the Government-Wide presentation. Expenditures are identical to the Government-Wide presentation, except for depreciation expense, which is only presented in the in the Government-Wide presentation, and capital expenditures, which are eliminated from the Government-Wide presentation.

The major source of revenue for each separate fund is investment income, consisting of the net change in fair value of the investments. The revenue amount and percentage distribution of total is as follows for the separate funds and will be expanded to a two-year comparison in the succeeding fiscal year:

	<u>Revenue Amount</u>	<u>Percentage Distribution</u>
Derailment Operating Expenses	\$ 31,292	7%
Derailment Health Surveillance	23,070	5%
Derailment Environmental Surveillance	80,515	17%
Derailment Thirty-Year Indemnity	315,068	68%
Combustion, Inc. Health Surveillance	11,855	3%
	<u>\$ 461,800</u>	<u>100%</u>

Major expenditures of the separate funds consist of the following:

- Salaries and benefits totaling \$25,265 for the Derailment Operating Expense Fund, \$56,797 for the Derailment Environmental Surveillance Fund, and \$71,057 for the Derailment Health Surveillance Fund.
- Environmental surveillance contract payments of \$21,000 for the Derailment Environmental Surveillance Fund.

Livingston Intergovernmental Commission

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2002**

- Health surveillance contract payments of \$50,000 for the Derailment Health Surveillance Fund and \$208,333 for the Combustion, Inc. Health Surveillance Fund.

Required Supplemental Information

In addition to this MD&A and the basic financial statements, this report also presents certain Required Supplemental information. For the Commission, this Required Supplemental Information is included in Schedules 1 through 5, Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual, Major Governmental Funds, which can be found on pages 40 through 45. The presentation under the GASB 34 standard requires disclosure of both the original and the final budget. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

Analysis of Significant Budget Variations in the Major Governmental Funds

The Commission demonstrated legal compliance by amending its budget in accordance with provisions of the Local Government Budget Act. Actual revenues and other sources were within 5% of budgeted revenues and other sources, and actual expenditures did not exceed budgeted expenditures and other uses by 5%.

Significant variations from the original and final budgeted revenues and expenditures for Major Governmental Funds were as follows:

- Net increase in fair value of investments for all Major funds was increased \$306,700 to reflect more closely the actual revenue due to unanticipated market fluctuations.
- Interest earned on investments for all Major funds was decreased \$37,600 to reflect more closely the actual revenue due to unanticipated market fluctuations.
- Site surveillance expenditures for the Environmental Surveillance Fund were increased \$10,000 due to unexpected environmental monitoring expenses at the derailment site.

Budgets for other revenue and expenditure categories were amended in the normal course of operations.

Other Supplemental Information

The Commission also presents additional supplemental information beginning on page 46, following Required Supplemental Information. This information includes supplementary information to meet state reporting requirements.

Livingston Intergovernmental Commission
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2002

Capital Assets and Long-Term Debt

Capital Assets

The Commission has elected early implementation of the major model portions of GASB Statement No. 34 in the current fiscal year. Historically, a government's assets, other than those for enterprise funds (similar to a private business enterprise) have not been reported nor depreciated in governmental financial statements. Beginning with the current fiscal year, this new statement requires these assets be valued and reported within the Governmental Activities column of the Government-Wide Financial Statements.

The presentation below for the current fiscal year lists the major categories of capital assets for governmental activities, and is followed by analysis of the respective changes in capital assets. As noted, this is the first year that the Commission has presented financial statements under the GASB Statement No. 34 standard, and comparative information for the prior fiscal year will be presented for the fiscal year ending December 31, 2003.

Capital Assets at Year End - Governmental Activities

Land	\$ 104,054
Buildings	536,751
Equipment	76,233
Furniture and Fixtures	15,109
Subtotal	<u>732,147</u>
Less Accumulated Depreciation	218,252
Capital Assets, Net	<u><u>\$ 513,895</u></u>

The following reconciliation summarized the changes in capital assets:

Capital Assets at Year End - Governmental Activities

Beginning Balance	\$ 734,795
Plus Additions	3,897
Less Deletions	6,545
Less Accumulated Depreciation	218,252
Ending Balance	<u><u>\$ 513,895</u></u>

For governmental activities, major capital additions and deletions consisted of the following:

- There were no capital additions of a material nature.
- There were no capital deletions of a material nature.

Livingston Intergovernmental Commission
Management's Discussion and Analysis
As of and for the Year Ended December 31, 2002

Long-Term Debt

The Commission's long-term debt of \$11,856 consists solely of its long-term commitment for the payment of *compensated absences for employees upon retirement or discontinuance of service*.

Economic Factors

The Commission's management approach is fiscally conservative; however, due to the expendable nature of the trust funds originally created as a result of the Illinois Central Gulf Railroad Company and Combustion, Inc. settlements, the Commission generally operates with expenditures in excess of revenues. The Commission has an adequate asset base of cash and investments to absorb these excess expenditures for a considerable period of time, but remains highly sensitive to fluctuations in interest rates and investment valuations, as the cash and investments are generally its sole source of revenues.

Requests for Information

This financial report is designed to provide a general overview of Livingston Intergovernmental Commission's finances and to demonstrate the Commission's accountability. If you have questions regarding this report or need additional information, contact the Commission at 13960 Florida Boulevard, Post Office Box 609, Livingston, Louisiana 70754. The Commission's telephone number (225) 686-2677.

Basic Financial Statements

Government-Wide Financial Statements

Livingston Intergovernmental Commission

Statement A

**Statement of Net Assets
December 31, 2002**

	<u>Governmental Activities</u>
Assets	
Cash & Cash Equivalents	\$ 692,546
Investments, At Fair Value	5,468,459
Accrued Interest Receivable	17,810
Capital Assets, Net	513,895
Total Assets	<u>6,692,710</u>
Liabilities	
Accounts Payable	1,924
Accrued Expenses Payable	4,218
Compensated Absences Payable	11,856
Total Liabilities	<u>17,998</u>
Net Assets	
Invested in Capital Assets, Net	513,895
Restricted for:	
Derailment Operating Expenses	751,672
Derailment Health Surveillance	534,198
Derailment Environmental Surveillance	1,296,397
Derailment Thirty-Year Indemnity	3,151,544
Combustion, Inc. Health Surveillance	427,006
Total Net Assets	<u>\$ 6,674,712</u>

The accompanying notes are an integral part of these statements.

Livingston Intergovernmental Commission

Statement B

**Statement of Activities
For the Year Ended December 31, 2002**

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net Revenue (Expense) and Changes in Net Assets Governmental Activities</u>
Governmental Activities			
Derailment Operating Expenses	\$ 45,513	\$ -	\$ (45,513)
Derailment Health Surveillance	125,355	-	(125,355)
Derailment Environmental Surveillance	150,694	-	(150,694)
Derailment Thirty-Year Indemnity	4,597	-	(4,597)
Combustion, Inc. Health Surveillance	208,333	-	(208,333)
Total Governmental Activities	<u>\$ 534,492</u>	<u>\$ -</u>	<u>(534,492)</u>
General Revenues			
Net Increase in Fair Value Of Investments			307,997
Interest Earned			<u>153,803</u>
Total General Revenues			<u>461,800</u>
Change in Net Assets			(72,692)
Net Assets, Beginning of Year			<u>6,747,404</u>
Net Assets, End of Year			<u>\$ 6,674,712</u>

The accompanying notes are an integral part of these statements.

Basic Financial Statements
Fund Financial Statements
Governmental Fund Financial Statements

Livingston Intergovernmental Commission

**Balance Sheet
Governmental Funds
December 31, 2002**

	Derailment Operating Expense	Derailment Environmental Surveillance	Derailment Health Surveillance
Assets			
Cash & Cash Equivalents	\$ 84,781	\$ 238,331	\$ 333,218
Investments, At Fair Value	670,698	1,063,230	199,376
Accrued Interest Receivable	4,258	6,373	-
Due From Other Funds	-	-	10,740
Total Assets	<u>\$ 759,737</u>	<u>\$ 1,307,934</u>	<u>\$ 543,334</u>
Liabilities & Fund Balance			
Liabilities:			
Accounts Payable	\$ 248	\$ 781	\$ 895
Accrued Expenses Payable	-	-	4,218
Due To Other Funds	6,100	4,640	-
Total Liabilities	<u>6,348</u>	<u>5,421</u>	<u>5,113</u>
Fund Balance, Reserved	753,389	1,302,513	538,221
Total Liabilities & Fund Balance	<u>\$ 759,737</u>	<u>\$ 1,307,934</u>	<u>\$ 543,334</u>

The accompanying notes are an integral part of these statements.

Statement C

<u>Derailment Thirty-Year Indemnity</u>	<u>Combustion, Inc. Health Surveillance</u>	<u>Total</u>
\$ 32,654	\$ 3,562	\$ 692,546
3,118,890	416,265	5,468,459
-	7,179	17,810
-	-	10,740
<u>\$ 3,151,544</u>	<u>\$ 427,006</u>	<u>\$ 6,189,555</u>
\$ -	\$ -	\$ 1,924
-	-	4,218
-	-	10,740
<u>-</u>	<u>-</u>	<u>16,882</u>
3,151,544	427,006	6,172,673
<u>\$ 3,151,544</u>	<u>\$ 427,006</u>	<u>\$ 6,189,555</u>

Livingston Intergovernmental Commission

Statement D

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
December 31, 2002**

Total Fund Balances, Governmental Funds	\$ 6,172,673
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Governmental capital assets, net of depreciation	513,895
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Compensated absences payable	(11,856)
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Net Assets, Governmental Activities	\$ <u>6,674,712</u>
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The accompanying notes are an integral part of these statements.

Livingston Intergovernmental Commission

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2002**

	<u>Derailment Operating Expense</u>	<u>Derailment Environmental Surveillance</u>	<u>Derailment Health Surveillance</u>
Revenues			
Investment Income:			
Net Increase (Decrease) in Fair Value Of Investments	\$ (5,834)	\$ 19,426	\$ (4,780)
Interest Earned	37,126	61,089	27,850
Total Revenues	<u>31,292</u>	<u>80,515</u>	<u>23,070</u>
Expenditures			
Commissioner Per Diem	8,700	-	-
Salaries	19,184	45,479	56,019
Employee Group Insurance	3,564	5,801	7,701
Payroll Taxes	2,379	3,646	4,540
Workmens' Compensation Insurance	138	1,871	2,797
Supplies & Materials	613	298	1,051
Advertising & Printing	486	-	100
Electricity	2,136	1,741	6,947
Telephone	1,323	716	1,657
Sanitation	1,453	2,898	9,285
Miscellaneous	368	112	261
Repairs & Maintenance	762	93	2,159
Legal & Accounting	3,101	3,101	3,101
Health Surveillance Contract	-	-	50,000
Medical Examinations	-	-	2,524
Environmental Surveillance Contract	-	21,000	-
Site Surveillance	-	25,487	-
Property & Liability Insurance	958	-	-
Capital Outlay	290	1,308	2,299
Total Expenditures	<u>45,455</u>	<u>113,551</u>	<u>150,441</u>
Excess Revenues (Expenditures)	<u>(14,163)</u>	<u>(33,036)</u>	<u>(127,371)</u>
Fund Balance, Reserved, Beginning of Year	774,221	1,375,597	1,340,772
Prior Period Adjustment (Note 16)	(6,669)	(40,048)	(675,180)
Fund Balance, Reserved, End of Year	\$ <u>753,389</u>	\$ <u>1,302,513</u>	\$ <u>538,221</u>

The accompanying notes are an integral part of these statements.

Statement E

Derailment Thirty-Year Indemnity	Combustion, Inc. Health Surveillance	Total
\$ 314,683	\$ (15,498)	\$ 307,997
385	27,353	153,803
<u>315,068</u>	<u>11,855</u>	<u>461,800</u>
-	-	8,700
-	-	120,682
-	-	17,066
-	-	10,565
-	-	4,806
-	-	1,962
-	-	586
-	-	10,824
-	-	3,696
-	-	13,636
-	-	741
-	-	3,014
4,597	-	13,900
-	208,333	258,333
-	-	2,524
-	-	21,000
-	-	25,487
-	-	958
-	-	3,897
<u>4,597</u>	<u>208,333</u>	<u>522,377</u>
<u>310,471</u>	<u>(196,478)</u>	<u>(60,577)</u>
2,841,073	623,484	6,955,147
-	-	(721,897)
<u>\$ 3,151,544</u>	<u>\$ 427,006</u>	<u>\$ 6,172,673</u>

Livingston Intergovernmental Commission

Statement F

**Reconciliation of the Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2002**

Total Net Change in Fund Balances, Governmental Funds	\$ (60,577)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. These differences consist of:

Capital outlay	3,897
Depreciation expense	(16,012)

Change in Net Assets, Governmental Activities	\$ <u>(72,692)</u>
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The accompanying notes are an integral part of these statements.

Basic Financial Statements

Notes to the Financial Statements

Livingston Intergovernmental Commission
Notes to the Financial Statements
As of and for the Year Ended December 31, 2002

Introduction

Livingston Intergovernmental Commission (the Commission) is a joint commission established December 4, 1985 between the Livingston Parish Council and the Town of Livingston as authorized by Article VI, Section 20 of the Louisiana Constitution of 1974 and Title 33, Section 1324 of the Louisiana Revised Statutes of 1950, to be recognized as a body corporate pursuant to Title 33, Section 1332 of the Louisiana Revised Statutes of 1950, and as a body corporate and politic and political subdivision of the State of Louisiana pursuant to Title 33, Section 1334(D) of the Louisiana Revised Statutes of 1950, as defined in Article VI, Section 44 of the Louisiana Constitution of 1954, with all rights, powers, and authority granted to political subdivisions of the state under the constitution and general laws of the state including, but not limited to, the provisions of Title 31, Section 149 of the Louisiana Revised Statutes of 1950.

The Commission is located in the Town of Livingston. The Commission's purpose is to provide general health and public service benefits to the residents of the Town of Livingston as a consequence of the Illinois Central Gulf Railroad Company train derailment which occurred in the Town of Livingston on September 28, 1982. In March 1999, the Commission also began administering a health surveillance program at its medical facility as a consequence of the Combustion, Inc. class action settlement.

The Commission is composed of five board members appointed as follows: (1) the President of the Livingston Parish Council or his duly appointed designee who shall reside in the area evacuated as a result of the derailment, (2) the Mayor of the Town of Livingston, (3) one member either appointed by the Livingston Parish Council who shall reside in the area evacuated as a result of the derailment or who shall be the Councilman who officially represents the Council district in which the Town of Livingston is situated, (4) one member nominated by the Mayor of the Town of Livingston and approved by a majority vote of the Board of Aldermen of the Town of Livingston, and (5) one member appointed by at least three of the four previously appointed members who shall reside in the area evacuated as a result of the evacuation. Board members receive per diem compensation for each meeting attended.

The Commission employs one full-time employee for administrative duties, two full-time employees for health surveillance duties, and one full-time employee for environmental surveillance duties in addition to the five board members described above.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining the reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, Livingston Intergovernmental Commission is considered a component unit of the Town of Livingston, Louisiana. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended within those financial statements or separately reported as discrete component units.

Livingston Intergovernmental Commission
Notes to the Financial Statements
As of and for the Year Ended December 31, 2002

Note 1 - Summary of Significant Accounting Policies

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of Livingston Intergovernmental Commission. For the most part, the effect of interfund activity has been removed from these statements. The Commission does not have any business-type activities and reports only governmental activities. Governmental activities are supported by funds awarded as a result of legal settlements, and from revenues earned by these legally restricted investments.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Commission reports only general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of governmental and proprietary fund financial statements is on "Major" funds. Fund statements present in separate columns the General Fund, followed by Major funds, with Nonmajor funds aggregated and displayed in a separate column. The new model (GASB Statement 34) sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of Major funds. In addition to the funds that meet the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users may be reported as a Major fund. All of Livingston Intergovernmental Commission's funds were determined to be Major funds.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Livingston Intergovernmental Commission
Notes to the Financial Statements
As of and for the Year Ended December 31, 2002

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Interest on investments and the change in fair value of the investments is recorded as earned. All other revenue items are considered to be measurable and available only when cash is received by the government.

Livingston Intergovernmental Commission reports the following governmental funds:

Special Revenue Funds - Account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. The Commission reports only general revenues consisting of interest on investments and the change in fair value of the investments, which are restricted per court order.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Deposits and Investments

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Commission's investment policy allow the Commission to invest in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Investments for the Village are reported at fair market value.

Livingston Intergovernmental Commission
Notes to the Financial Statements
As of and for the Year Ended December 31, 2002

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

E. Inventories and Prepaid Items

Purchase of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Restricted Assets

Certain proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes are classified as restricted assets because their use is limited to specified expenditures.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Livingston Intergovernmental Commission maintains a threshold level of \$100 or more for capitalizing capital assets.

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Buildings & Improvements	20 - 40 Years
Machinery & Equipment	5 - 25 Years
Furniture and Fixtures	5 - 12 Years

Livingston Intergovernmental Commission
Notes to the Financial Statements
As of and for the Year Ended December 31, 2002

H. Compensated Absences

Commission employees earn vacation leave of 40 hours per year for the first year of employment, 80 hours per year for the second year of employment, and 120 hours per year for the third year of employment. Only 40 hours of vacation leave may be carried forward at year end. Accumulated vacation leave is fully vested.

Commission employees earn sick leave of 80 hours per year regardless of the number of years of employment, and may accumulate a maximum of 240 hours. Accumulated sick leave is fully vested.

I. Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are either unusual in nature or infrequent in occurrence.

L. Estimates

The preparation of financial statements in conformance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reported period. Actual results could differ from those estimates.

Livingston Intergovernmental Commission
Notes to the Financial Statements
As of and for the Year Ended December 31, 2002

M. Reconciliations of Government-Wide and Fund Financial Statements

The following reconciles the fund balances of governmental funds to the government-wide statement of net assets:

Fund Balances, Total Governmental Funds	\$ 6,172,673
Plus Governmental Capital Assets, Net of Depreciation	513,895
Less Compensated Absences Payable	11,856
Net Assets, Governmental Activities	<u>\$ 6,674,712</u>

The following reconciles the net change in fund balances for governmental funds to the changes in net assets of governmental activities:

Net Change in Fund Balances, Total Governmental Funds	\$ -60,577
Plus Capital Outlay	3,897
Less Depreciation Expense	16,012
Change in Net Assets, Governmental Activities	<u>\$ -72,692</u>

Note 2 - Stewardship, Compliance, and Accountability

Budget Information

Livingston Intergovernmental Commission uses the following budget practices:

- The Commission's secretary prepares a proposed budget and submits same to the Board of Commissioners no later than fifteen days prior to the beginning of each fiscal year.
- A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
- A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
- After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
- All budgetary appropriations lapse at the end of each fiscal year.
- Budgets for the special revenue funds are presented on the modified accrual basis of accounting. All budgetary amounts presented reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

Note: For the fiscal year ending December 31, 2003, the Commission did not publish the budget as mentioned above. Because the Commission's expendable trust funds were replaced with special revenue funds due to the adoption of GASB Statement No. 34, the Commission was unaware that it was now required by state law to publish the budget.

Livingston Intergovernmental Commission

Notes to the Financial Statements
As of and for the Year Ended December 31, 2002

Note 3 - Cash and Cash Equivalents

At December 31, 2002, the Commission has cash and cash equivalents (book balances) totaling \$692,546 as follows:

Cash on Hand	\$ 20
Demand Deposits	204
Interest-Bearing Money Market Deposits	692,322
	<u>\$ 692,546</u>

These deposits are stated at cost, which approximates fair value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2002, the Commission has \$712,884 in deposits (collected bank balances). These deposits are secured from risk by \$204 of federal deposit insurance and \$712,680 of U.S. Government securities.

Note 4 - Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Commission or its agent in the Commission's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Commission's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Commission's name

All investments held by the Commission fall into category 1 credit risk, defined as "insured or registered, or securities held by the Commission or its agent in the Commission's name." In accordance with GASB-31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair value, with the estimate of fair value based on quoted market prices. At December 31, 2002, the Commission's investment balances are as follows:

	Carrying Amount	Fair Value
Federal Home Loan Bank (FHLB)	\$ 800,238	\$ 800,238
Federal Home Loan Mortgage Corporation (FHLMC)	372,365	372,365
Federal National Mortgage Association (FNMA)	1,117,706	1,117,706
Government National Mortgage Association (GNMA)	59,260	59,260
Separate Trading of Registered Interest/Principal of Securities (STRIPS)	3,118,890	3,118,890
	<u>\$ 5,468,459</u>	<u>\$ 5,468,459</u>

Livingston Intergovernmental Commission
Notes to the Financial Statements
As of and for the Year Ended December 31, 2002

Note 5 - Receivables

The receivables of \$17,810 at December 31, 2002 are as follows:

Accrued Interest Receivable	\$ 17,810
	<u>\$ 17,810</u>

Note 6 - Interfund Receivables and Payables

Due to and due from other funds at December 31, 2002:

Due To Health Surveillance Fund	Due From Operating Expense Fund	\$ 6,100
Due To Health Surveillance Fund	Due From Environmental Surveillance Fund	4,640
		<u>\$ 10,740</u>

Note 7 - Capital Assets

Capital assets and depreciation for governmental activities as of and for the year ended December 31, 2002:

	Balance 12/31/01	Increases	Decreases	Balance 12/31/02
Capital Assets Not Depreciated:				
Land	\$ 104,054	\$ -	\$ -	\$ 104,054
Total	<u>104,054</u>	<u>-</u>	<u>-</u>	<u>104,054</u>
Capital Assets Depreciated:				
Building	535,252	1,500	-	536,752
Equipment	80,113	2,397	6,278	76,232
Furniture & Fixtures	15,378	-	270	15,108
Total	<u>630,743</u>	<u>3,897</u>	<u>6,548</u>	<u>628,092</u>
Less Accumulated Depreciation:				
Building	132,725	13,655	-	146,380
Equipment	54,643	2,301	-	56,944
Furniture & Fixtures	14,871	56	-	14,927
Total	<u>202,239</u>	<u>16,012</u>	<u>-</u>	<u>218,251</u>
Net Capital Assets	<u>\$ 532,558</u>	<u>\$ -12,115</u>	<u>\$ 6,548</u>	<u>\$ 513,895</u>

Depreciation expense of \$16,012 for the fiscal year ended December 31, 2002 was charged to the following governmental functions:

Derailment Operating Expense Fund	\$ 348
Derailment Health Surveillance Fund	14,103
Derailment Environmental Surveillance Fund	1,561
	<u>\$ 16,012</u>

Livingston Intergovernmental Commission
Notes to the Financial Statements
As of and for the Year Ended December 31, 2002

Note 8 - Commitments

The Commission entered into a \$1,550,000 five-year medical services contract in March 1999. Under the terms of this contract, the Commission is to pay \$1,300,000 over five years as follows: \$33,333 monthly in year one, \$20,833 monthly in years two and three, and \$16,667 monthly in years four and five. The terms of the contract also require the Commission to pay \$250,000 over five years as follows: \$4,167 monthly for years one through five. The \$1,300,000 portion of the contract is for medical services related to the Combustion, Inc. health surveillance program, while the \$250,000 portion of the contract is for medical services related to the Illinois Central Gulf Railroad Company health surveillance program. As of December 31, 2002, one year and three months of this contract remain to be completed.

The Commission allowed their environmental services contract to expire in 1989, but has continued to purchase the original contractor's services on a monthly basis at the cost of \$1,750 per month.

Note 9 - Interfund Transfers

Livingston Intergovernmental Commission had no interfund transfers during the fiscal year ended December 31, 2002.

Note 10 - Accounts, Salaries, and Other Payables

The payables of \$6,142 at December 31, 2002 were as follows:

Accounts Payable	\$ 1,924
Accrued Expenses Payable	4,218
	<u>\$ 6,142</u>

Note 11 - Short-Term Debt

Livingston Intergovernmental Commission had no short-term debt activity in the fiscal year ended December 21, 2002.

Note 12 - Long-Term Obligations

The following is a summary of the long-term obligation transactions for the fiscal year ended December 31, 2002:

	<u>Compensated Absences</u>
Long-Term Obligations, Beginning of Year	\$ 12,898
Additions	-
Deletions	1,042
Long-Term Obligations, End of Year	<u>\$ 11,856</u>

Livingston Intergovernmental Commission

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2002**

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of December 31, 2002:

	Compensated Absences
Current Portion	\$ -
Long-Term Portion	11,856
	<u>\$ 11,856</u>

Note 13 - Reserved Fund Balances

Derailment Operating Expense Fund is used to provide annual disbursements for operating expenditures not to exceed current and accumulated revenues. This fund will remain until all contingencies and other special funds have been disbursed and the Commission is dissolved.

Derailment Environmental Surveillance Fund is used to provide expert technical advisors to monitor and review all operations on or near the derailment site during the operation by Illinois Central Gulf Railroad Company.

It is now used to fulfill the Commission's responsibility to operate monitoring and detection facilities, to direct and supervise additional detection or recovery operations as indicated, and to comply with all requirements of the closure plan, modifications thereto, and any requirements or regulations imposed by the Louisiana Department of Environmental Quality (DEQ).

Upon notification by the State of Louisiana by DEQ or its successor that the program may be discontinued, fifty percent of any fund balance remaining in this fund will be paid (up to a maximum of \$200,000) to DEQ as reimbursement for costs and expenses incurred in supervising the Commission's operations. The remainder of this fund will be disbursed in the same manner provided for the Contingency Fund, described later.

Any year-end excess of revenues over expenditures may be transferred to the Health Surveillance Fund as deemed necessary by the Commission to continue health surveillance activities.

Derailment Health Surveillance Fund is used to provide an office and physician with staff retained to conduct annual physical examinations of all persons who have resided or presently reside in the area ordered evacuated as a consequence of the derailment.

Upon notification by the Court having jurisdiction of the class action approving the termination of the program after contradictory hearing, any fund balance remaining in this fund will be disbursed in the same manner provided for the Contingency Fund, described later.

Derailment Thirty-Year Indemnity Fund is used to respond to all suits, demands, and claims including, but not limited to, the claims of any public entity arising out of the derailment or the associated spill and release of chemicals or the site remediation and cleanup, and to defend, indemnify, and save free and harmless from all such asserted suits, demands, and claims the Illinois Central Gulf Railroad Company, the Elgin, Joliet, and Eastern Railway Company, and all of their past, present, and future directors, officers, agents, servants, employees, insurers, contractors, affiliates, successors, and assigns, and the State of Louisiana and/or any agency thereof. This fund is to be maintained at interest for not less than thirty years from March 17, 1986.

Livingston Intergovernmental Commission

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2002**

Upon expiration of the thirty-year period, if no claims are pending and if DEQ or its successor has determined and notified the Commission that all site activities may be terminated, then any fund balance remaining in this fund will be disbursed in the same manner provided for the Contingency Fund, described later. However, if any claims are pending or if site activities are continuing at the instance of the State of Louisiana or its agencies when the thirty-year period expires, then the fund may not be dissolved.

Derailment Contingency Fund is used to account for any additional funds received by the Commission from the 21st Judicial District Court Fund in the distribution of settlement proceeds in the derailment class action and will be held in this fund until such time as the court having jurisdiction of the class action proceedings shall determine in contradictory proceedings that this fund or any portion thereof may be released for distribution in the following manner:

One-third shall be paid as directed by the Livingston Parish Council for any permitted public purpose for the benefit of residents of Livingston Parish. One-third shall be paid as directed by the Board of Aldermen of the Town of Livingston for any publicly permitted purpose for the benefit of residents of the Town of Livingston. One-third shall be reserved by the Commission for removal of all monitoring equipment and improvement of the derailment site to accommodate its highest and best use for the benefit of the residents of the Town of Livingston, subject to the restrictions and servitude imposed by the transferors of the property and by the agreement.

Any time prior to the termination of the need for monitoring the site activities, the Commission may make special disbursements from this fund with the approval of the 21st Judicial District Court having jurisdiction of the said class action, DEQ, the Livingston Parish Council, and the Board of Aldermen of the Town of Livingston.

On April 30, 2001, the Louisiana 21st Judicial District Court ordered, adjudged, and decreed that the expenditure of those certain funds held by the Livingston Intergovernmental Commission being designated as the Contingency Fund for the purpose of the completion of that certain public park under development in the Town of Livingston designated as Circle Drive Park together with the expenditures for the purchase of equipment and capital improvements for the Livingston Parish Fire District No. 12 and the public water system serving Livingston Parish Fire District No. 12 in order to provide increased fire protection and decreased property insurance premiums for the residents of said fire district an annual basis was hereby approved. This fund is now completely exhausted and inactive.

Combustion, Inc. Health Surveillance Fund is used to provide an office and physician with staff retained to administer a health surveillance program for the benefit of all qualified claimants of the Combustion, Inc. class action settlement. Of the \$1,500,000 settlement proceeds, \$166,374 was used in 1999 and 2000 to fund a medical facility expansion project, with the remaining \$1,333,626 to be used to fund a \$1,300,000 five-year medical services contract in effect from March 1999 through March 2004.

Note 14 - Contingent Liabilities

At December 31, 2002, the Commission is involved in two lawsuits. The likelihood of an unfavorable outcome is believed to be remote in both cases; however, any unfavorable outcome of the litigation could result in substantial potential losses which cannot be estimated.

Livingston Intergovernmental Commission

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2002**

Note 15 - Compensation of Commissioners

Members of the Board of Commissioners are compensated on a per diem basis for each meeting attended. The per diem amount is \$150 per member per meeting, and \$75 per member per special meeting. Compensation paid in 2002 is as follows:

D. Derral Jones, Chairman	\$	1,650
Randall M. Morgan, Vice-Chairman		1,800
Randall L. Rushing, Secretary/Treasurer		1,800
Roy K. McDonald, Commissioner		1,650
Steve S. Stafford, Commissioner		1,800
	\$	<u>8,700</u>

Note 16 - Prior Period Adjustment

Due to the adoption of GASB Statement No. 34, Livingston Intergovernmental Commission's expendable trust funds became special revenue funds. Due to this change, capital assets and accrued compensation payable were required to be removed from these funds on the fund financial statement level. A prior period adjustment was therefore made to the fund balances as follows:

Capital Assets	\$	-734,795
Compensated Absences Payable		12,898
	\$	<u>-721,897</u>

Required Supplemental Information (Part II)
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Major Governmental Funds

Livingston Intergovernmental Commission

Schedule 1

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Derailment Operating Expense Fund
For the Year Ended December 31, 2002**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts: Budgetary Basis	Final Budget: Favorable (Unfavorable)
Revenues				
Net Increase in Fair Value of Investments	\$ -	\$ (3,300)	\$ (5,834)	\$ (2,534)
Interest Earned	50,000	46,000	37,126	(8,874)
Total Revenues	<u>50,000</u>	<u>42,700</u>	<u>31,292</u>	<u>(11,408)</u>
Expenditures				
Commissioner Per Diem	8,000	8,600	8,700	(100)
Salaries	18,000	19,300	19,184	116
Employee Group Insurance	3,100	3,500	3,564	(64)
Payroll Taxes	2,500	2,500	2,379	121
Workmens' Compensation Insurance	200	200	138	62
Supplies & Materials	600	800	613	187
Advertising & Printing	800	500	486	14
Electricity	2,800	2,300	2,136	164
Telephone	1,300	1,300	1,323	(23)
Sanitation	1,500	1,500	1,453	47
Miscellaneous	300	500	368	132
Repairs & Maintenance	500	800	762	38
Legal & Accounting	3,500	3,500	3,101	399
Property & Liability Insurance	1,000	1,000	958	42
Capital Outlay	-	300	290	10
Total Expenditures	<u>44,100</u>	<u>46,600</u>	<u>45,455</u>	<u>1,145</u>
Excess Revenues (Expenditures)	5,900	(3,900)	(14,163)	(10,263)
Fund Balance, Reserved, Beginning of Year	790,946	774,221	774,221	-
Prior Period Adjustment (Note 16)	-	-	(6,669)	(6,669)
Fund Balance, Reserved, End of Year	<u>\$ 796,846</u>	<u>\$ 770,321</u>	<u>\$ 753,389</u>	<u>\$ (16,932)</u>

The accompanying notes are an integral part of these statements.

Livingston Intergovernmental Commission

Schedule 2

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Derailment Health Surveillance Fund
For the Year Ended December 31, 2002**

	Budgeted Amounts		Actual Amounts: Budgetary Basis	Variance with Final Budget: Favorable (Unfavorable)
	Original	Final		
Revenues				
Net Increase in Fair Value of Investments	\$ -	\$ (5,000)	\$ (4,780)	\$ 220
Interest Earned	45,000	33,000	27,850	(5,150)
Total Revenues	<u>45,000</u>	<u>28,000</u>	<u>23,070</u>	<u>(4,930)</u>
Expenditures				
Salaries	54,000	56,000	56,019	(19)
Employee Group Insurance	6,500	7,500	7,701	(201)
Payroll Taxes	4,500	4,600	4,540	60
Workmens' Compensation Insurance	400	400	2,797	(2,397)
Supplies & Materials	800	1,200	1,051	149
Advertising & Printing	100	100	100	-
Electricity	8,500	7,500	6,947	553
Telephone	1,600	1,600	1,657	(57)
Sanitation	8,000	9,000	9,285	(285)
Miscellaneous	600	300	261	39
Repairs & Maintenance	1,900	1,900	2,159	(259)
Legal & Accounting	4,000	3,500	3,101	399
Health Surveillance Contract	50,000	50,000	50,000	-
Medical Examinations	2,200	2,200	2,524	(324)
Property & Liability Insurance	2,600	2,600	-	2,600
Capital Outlay	-	2,300	2,299	1
Total Expenditures	<u>145,700</u>	<u>150,700</u>	<u>150,441</u>	<u>259</u>
Excess Revenues (Expenditures)	(100,700)	(122,700)	(127,371)	(4,671)
Fund Balance, Reserved, Beginning of Year	1,353,638	1,340,772	1,340,772	-
Prior Period Adjustment (Note 16)	-	-	(675,180)	(675,180)
Fund Balance, Reserved, End of Year	<u>\$ 1,252,938</u>	<u>\$ 1,218,072</u>	<u>\$ 538,221</u>	<u>\$ (679,851)</u>

The accompanying notes are an integral part of these statements.

Livingston Intergovernmental Commission

Schedule 3

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Derailment Environmental Surveillance Fund
For the Year Ended December 31, 2002**

	Budgeted Amounts		Actual Amounts: Budgetary Basis	Variance with Final Budget: Favorable (Unfavorable)
	Original	Final		
Revenues				
Net Increase in Fair Value of Investments	\$ -	\$ 21,000	\$ 19,426	\$ (1,574)
Interest Earned	88,000	74,000	61,089	(12,911)
Total Revenues	<u>88,000</u>	<u>95,000</u>	<u>80,515</u>	<u>(14,485)</u>
Expenditures				
Salaries	45,000	46,000	45,479	521
Employee Group Insurance	7,200	6,200	5,801	399
Payroll Taxes	3,600	3,700	3,646	54
Workmens' Compensation Insurance	1,700	1,900	1,871	29
Supplies & Materials	100	300	298	2
Electricity	1,500	1,500	1,741	(241)
Telephone	700	700	716	(16)
Sanitation	2,800	3,000	2,898	102
Miscellaneous	100	100	112	(12)
Repairs & Maintenance	-	-	93	(93)
Legal & Accounting	3,800	3,500	3,101	399
Environmental Surveillance Contract	21,000	21,000	21,000	-
Site Surveillance	15,000	25,000	25,487	(487)
Capital Outlay	-	2,200	1,308	892
Total Expenditures	<u>102,500</u>	<u>115,100</u>	<u>113,551</u>	<u>1,549</u>
Excess Revenues (Expenditures)	(14,500)	(20,100)	(33,036)	(12,936)
Fund Balance, Reserved, Beginning of Year	1,414,196	1,375,597	1,375,597	-
Prior Period Adjustment (Note 16)	-	-	(40,048)	(40,048)
Fund Balance, Reserved, End of Year	<u>\$ 1,399,696</u>	<u>\$ 1,355,497</u>	<u>\$ 1,302,513</u>	<u>\$ (52,984)</u>

The accompanying notes are an integral part of these statements.

Livingston Intergovernmental Commission

Schedule 4

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Derailment Thirty-Year Indemnity Fund
For the Year Ended December 31, 2002**

	Budgeted Amounts		Actual Amounts: Budgetary Basis	Variance with Final Budget: Favorable (Unfavorable)
	Original	Final		
Revenues				
Net Increase in Fair Value of Investments	\$ -	\$ 310,000	\$ 314,683	\$ 4,683
Interest Earned	1,000	400	385	(15)
Total Revenues	<u>1,000</u>	<u>310,400</u>	<u>315,068</u>	<u>4,668</u>
Expenditures				
Legal & Accounting	7,000	7,000	4,597	2,403
Total Expenditures	<u>7,000</u>	<u>7,000</u>	<u>4,597</u>	<u>2,403</u>
Excess Revenues (Expenditures)	(6,000)	303,400	310,471	7,071
Fund Balance, Reserved, Beginning of Year	2,946,390	2,841,073	2,841,073	-
Fund Balance, Reserved, End of Year	<u>\$ 2,940,390</u>	<u>\$ 3,144,473</u>	<u>\$ 3,151,544</u>	<u>\$ 7,071</u>

The accompanying notes are an integral part of these statements.

Livingston Intergovernmental Commission

Schedule 5

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Combustion, Inc. Health Surveillance Fund
For the Year Ended December 31, 2002**

	Budgeted Amounts		Actual Amounts: Budgetary Basis	Variance with Final Budget: Favorable (Unfavorable)
	Original	Final		
Revenues				
Net Increase in Fair Value of Investments	\$ -	\$ (16,000)	\$ (15,498)	\$ 502
Interest Earned	35,000	28,000	27,353	(647)
Total Revenues	<u>35,000</u>	<u>12,000</u>	<u>11,855</u>	<u>(145)</u>
Expenditures				
Health Surveillance Contract	208,300	208,300	208,333	(33)
Total Expenditures	<u>208,300</u>	<u>208,300</u>	<u>208,333</u>	<u>(33)</u>
Excess Revenues (Expenditures)	(173,300)	(196,300)	(196,478)	(178)
Fund Balance, Reserved, Beginning of Year	631,787	623,484	623,484	-
Fund Balance, Reserved, End of Year	<u>\$ 458,487</u>	<u>\$ 427,184</u>	<u>\$ 427,006</u>	<u>\$ (178)</u>

The accompanying notes are an integral part of these statements.

Other Supplemental Schedules

Livingston Intergovernmental Commission

Schedule 6

**Status of Prior Audit Findings
For the Year Ended December 31, 2002**

Section I - Internal Control and Compliance Material to the Financial Statements

No section I findings.

Section II - Internal Control and Compliance Material to Federal Awards

Section II not applicable.

Section II - Management Letter

No section II findings.

Livingston Intergovernmental Commission

Schedule 7

**Current Year Findings, Recommendations, and Corrective Action Plan
For the Year Ended December 31, 2002**

Section I - Internal Control and Compliance Material to the Financial Statements

No section I findings.

Section II - Internal Control and Compliance Material to Federal Awards

Section II not applicable.

Section III - Management Letter

No section III findings.

Other Reports

Bruce C. Harrell, CPA

Warren A. Wool, CPA
Michael P. Estay, CPA
Dale H. Jones, CPA
Charles P. Hebert, CPA
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Report on Compliance And on Internal Control Over Financial Reporting Based on an Audit of the Basic Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Commissioners
Livingston Intergovernmental Commission
Livingston, Louisiana

We have audited the basic financial statements of Livingston Intergovernmental Commission, a component unit of the Town of Livingston, Louisiana, as of and for the year ended December 31, 2002, and have issued our report thereon dated February 14, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Livingston Intergovernmental Commission's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Livingston Intergovernmental Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

BRUCE HARRELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Accounting Corporation

Board of Commissioners

Livingston Intergovernmental Commission

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This report is intended solely for the information and use of management, others within the organization, and the Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties.



Bruce Harrell and Company, CPAs

A Professional Accounting Corporation

February 14, 2003